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South Africa, Republic of

Wine

Wine Competition Annual

1999

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Report Highlights:

In 1998, wine production declined from 8,809,150hl to 8,155,750hl, because of poor rain fall. However, the exports of South Africa remained strong because of the weak South African rand relative to international currencies (Dollar and Euro). For 1999, South Africa's wine exports are expected to reach 1,175,000hl.

Includes PSD changes: Yes
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GENERAL SUMMARY

South African agriculture in general has become adapted to, and strategically positioned in, the deregulated production and marketing environment. The wine and spirit industry in South Africa is a very important part of the agricultural sector. There are 4,654 grape producers with 100,979 hectares under vines and 315 wine cellars. The industry provides income to 3,300 cooperative cellar staff and 345, 000 farm workers, including dependents.

For agricultural producers the year 1998 was less prosperous than 1997. This is reflected by the decline in wine production from 8,809,150 hl in 1997 to 8,155,750 hl in 1998. The decline was due to the unfavorable weather and late rain that impacted badly on grape quality. South African wines continue to be highly regarded internationally, evidenced by the increase in exports from 1,126,661hl in 1997 to 1,162,211hl in 1998, with the main markets being the United Kingdom, Netherlands, Mozambique, Germany, Japan and Belgium. On the other hand, we see a decline in imports from 145,387 hl in 1997 to 96,948 hl in 1998.

The long-awaited free trade agreement (FTA) between South Africa and European Union have been concluded and now only needs to be implemented. According to the trade source, if all goes according to the plan, the agreement will be implemented by January 1, 2000. If implemented, South Africa has to phase out the use of the terms "port" and "sherry" on exports to third market (excluding Southern African Development Council, SADC countries) over five years and to SADC countries over eight years. South Africa will continue to use the terms "port" and "sherry" on the domestic market (including all five SACU countries) during a twelve-year transition period.

Exchange Rate 1USD=R6.08

PRODUCTION

The following tables gives an overview of the wine situation in South Africa:

	1997	1998	1999 Forecast
Area under wine grapes(ha)	98,000	100,979	103,000
Total production(hl)	8, 809,150	8,155,750	8,775,000
Production of good wine(hl)	5, 466,890	5,443,880	5,450,000
Good wine sold - local (hl)	4,004,170	3,832,070	3,900,000
Natural wine - export (hl)	1,084,891	1,097,517	1,100,000
Volume of certified wine(hl)	1,238,531	1,281,396	1,300,000
Imports(hl)	145,387	96,948	95,000
Exports(hl)	1,126,661	1,162,211	1,175,000

CONSUMPTION

The Liquor Board, which falls under the Department of Trade and Industry, controls the issuing of licences to wholesalers and retailers of wine and other alcoholic beverages. In 1998, there were 27,400 licenced and authorized outlets where the public could buy alcoholic beverages. Sales of quality (natural) wines on the domestic market declined somewhat compared to 1997 producers exporting more quality wines. A small increase in sales is expected during 1999 probably not reaching 1997 levels.

POLICY

A Wine Trust which was established after the phasing out of all marketing board, is taking over the management of the industry from the KWV, a cooperative which traditionally regulated the industry. In response to requests from the industry, the Trust, and the National Agricultural Marketing Council(NAMC), the Minister of Agriculture signed a government notice extending the Marketing of Agricultural Products Act, 1996 to include the juice of grapes and products derived therefrom. This will allow the Trust to apply for statutory levies on production to finance research, information, data gathering and other activities. The repeal of the Wine and Spirits control Act comes into effect at the end of June 1999, a vehicle traditionally used to collect levies required by the industry.

The South African Department of Industry offers limited export incentive assistance to South African exporters through the Export Marketing and Investment Assistance Scheme(EMIA) and Export Credit and Foreign Investment reinsurance(ECRS). The EMIA scheme partially compensate exporters for certain cost incurred from activities aimed at developing export

markets, whereas ECRS compensate for the multiple risks that exporters face when pursuing export opportunities.

TRADE

Exports

Trade figures indicates that the largest growth of exports has been to the United Kingdom, followed by the Netherlands and then Mozambique. Exports to the United Kingdom account for more than 50 per cent of total South African exports. The sales to the Netherlands and Mozambique have shown increases, but from a much lower base than the United Kingdom.

South Africa wine production is export oriented. The total quantity of wine exported during 1998 amounted to 1,162,211 hectoliters, this includes, natural wine, fortified wine and sparkling wine. Natural wines are the main export followed by the others. Types of natural wine exported in bottle and in bulk are Chardonnay, Sauvignon Blanc, other white wine, Blanc de Noir and Rose, Cabernet Sauvignon, Shiraz, Pinotage, Merlot and other red wine, fortified wine and sparkling wines.

Imports

The figures reflect a decline in imports from 145,387 hectoliters in 1997 to 96,948 hectoliters in 1998, with natural wine accounting for the largest portion of the trade.

The following tables contain the 1998 South Africa wine trade matrix by country in hectoliters(hl):

Sparkling wine:

Tariff code	Country	Exports	Tariff Code	Country	Imports
2204.1000	Netherlands	15,462	2204.1000	France	2,737
	Mozambique	7,845		Spain	258
	Japan	1,536		Argentina	240
	Zambia	1,472		Sub-total	3,235
	United Kingdom	1,330		Others	277
	Mauritius	897		Grand-total	3,512
	Belgium	881			
	Sub-total	29,423			
	Others	5,474			
	Grand-total	34,897			

Grape must

Tariff Code	Country	Exports	Tariff Code	Country	Imports
2204.2130	United Kingdom	499	2204.2130	France	163
	Dem.Rep. Congo	410		Italy	109
	Kenya	352		Sub-total	272
	Mozambique	173		Others	48
	Germany	165		Grand-total	320
	Sub-total	1,599			
	Others	881			
	Grand-total	2,480			

Unfortified wines

Tariff Code	Country	Exports	Tariff Code	Country	Imports
2204.2140	United Kingdom	377,813	2204.2140	Argentina	31,796
	Netherlands	127,537		Spain	31,181
	Germany	71,545		France	8,942
	Belgium	50,516		Chile	3,520
	Japan	45,222		Italy	2,898
	Canada	33,289		Portugal	2,858
	Australia	32,314		Belgium	2,640
	Sweden	28,649		Sub-total	83,835
	France	25,611		Others	5,399

	Switzerland	25,595		Grand-total	89,234
	Sub-total	818,091			
	Others	279,426			
	Grand-total	1,097,517			

Fortified wines

Tariff Code	Country	Exports	Tariff Code	Country	Imports
2204.2150	United Kingdom	9,810	2204.2150	Portugal	543
	Netherlands	2,405		South Africa	249
	Canada	1,729		Italy	207
	Mozambique	1,521		France	118
	Belgium	1,005		Sub-total	1,117
	Paraguay	922		Others	120
	United States	883		Grand-total	1,237
	Sub-total	18,275			
	Others	7,383			
	Grand-total	25,658			

Vermouth

Tariff Code	Country	Export	Tariff Code	Country	Import
2205.1000	United Kingdom	500	2205.1000	Italy	1,165
	Canada	240		Spain	798
	Malawi	163		Sub-total	1,963
	Zambia	93		Others	40

	Maldives	90		Grand-total	2,003
	Sub-total	1,086			
	Others	573			
	Grand-total	1,659			

Wine coolers

Tariff Code	Country	Export	Tariff Code	Country	Import
2206.0005	Mozambique	1,664	2206.0005	United Kingdom	513
	Tanzania	1,222		Germany	100
	Zambia	499		Sub-total	613
	Kenya	350		Others	27
	Sub-total	3,735		Grand-total	640
	Others	769			
	Grand-total	4,504			

Import tariffs:

The following table indicates the import customs tariffs applicable to wines:

Tariff Code	Product description	Rate of duty
2204.10	Sparkling wine: Champagne other	25% Liter(L) 25% L

2204.21	Other wine; grape must, with fermentation prevented or arrested by addition of alcohol: Unfortified wine in containers holding 2L or less. Fortified wine in containers holding 2L or less.	25%L 25%L
2204.29	Other: Grape must with fermentation prevented or arrested by the addition of alcohol. Unfortified wine. Fortified wine.	25%L 25%L 25%L
2204.30	Other grape must.	25%L
2205	Vermouth and Other wine of fresh grapes flavored with plants or aromatic substances: In containers holding 2L or less. Other.	25%L 25%L
2206	Other fermented beverages(for example, cider, perry, mead); Mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included: Sparkling beverages. Other unfortified beverages. Other.	25%L 25%L 25%L

MARKETING

An import certificate is required in order to import liquor into South Africa, and is issued by the Department of Agriculture, Division of Plant Production, Health and Quality Control at a cost of

R41.00 (US\$ 7). The permit can only be issued if the product complies with the requirements of the Act. Certificates are issued for every liquor product which differs from any other liquor product with regards to container, composition or labeling. Each application should be accompanied by a sample consisting of at least 750ml of the product to be imported and must be submitted in the labeled container in which it will be sold in South Africa.

The product also needs to be inspected at a cost of R200.00 (US\$ 33), whereby a chemical analysis is performed on the sample and the label evaluated to ensure its compliance with the requirements of the Liquor Products Act, 1989 (act 60/1989) . The cost of Bar coded Lot number is R22.00 (US\$4). At least 48 hours notice must be given to the inspectors for the Department every time a consignment of liquor, for which an Import Certificate has been issued, will enter the country.

A Certificate of removal is required to release a consignment from Customs at a cost of R33.03 plus R2.00 per hectoliter or a part thereof, i.e., when liquor products arrive in the country, the importer must obtain a pass from the Department of Agriculture's Inspection service to remove the liquor from the port area to a site of his/her choice. The consignment must be unpacked under supervision on an inspector from the Department, application for a certificate of removal must be handed to the inspector at this point in time. After having received a Certificate of Removal, an Importer may distribute and sell the liquor.

Contact: Division of Plant Production, Health and Quality: Tel: 27-21-809-1687;
Fax: 27-21-887-0036.

Labeling requirements:

The particulars to be indicated on the label are the applicable class designation, the alcohol contents, the country of origin and the name and address or code number of the responsible seller. All of the above shall be indicated in the same field of vision on one or more labels which are permanently attached to the container concerned; are clearly distinguishable from one another and from other particulars, illustrations or representations on the label concerned and indicated in letters and figures; which are the same color, type and size in each particular instance; which appear on a uniform and clearly contrasted background; which are clearly legible and permanently printed; and of which the minimum vertical height depending on the capacity of the container concerned is listed. The indication of an applicable class designation can, in the case of wine, be omitted from the label, unless that wine is a Perle' wine or a sparkling wine; or is a sweet natural wine but not a special late harvest or noble late harvest wine.

The indication of the alcohol content on a label shall, except in the case of grape liquor and flavored grape liquor, only be required in respect of liquor products sold by the responsible seller thereof after 30 June 1999; provided that labels which were printed before that date and which do not indicate the required alcohol content, may be used until 30 June 1996. If a liquor product, has been produced in the Republic, the indication of the country of origin thereof may be omitted

from a label. Notwithstanding the provisions of the sub regulations the words "sparkling wine", which is part of a class designation, may be indicated in another letter type, size and color than the rest of that class designation. A label printed before 1 January 1996 and which complies with the requirements of these regulations as applied before 1 October 1995, is regarded as complying with the provisions of the regulation.

Indication of class designation: Subject to the provisions of sub regulation, the class designation of a liquor product as indicated on a label shall, in the case of wine of a class specified in column 1 of table 2, be the applicable designation specified in that column; in the case of an alcoholic fruit beverage of a class specified in column 1 of Table 3, be the applicable designation specified in that column; in the case of a grape-based liquor of a class specified in column 1 of Table 4, be the applicable designation specified in that column; in the case of another liquor product in respect of which an import certificate has been issued, be the designation specified in the import certificate concerned. The word "wine" that forms part of the class designation of wine of a class specified in items, may be omitted when the class designation concerned is indicated on a label. The class designation of an unspecified alcohol fruit beverage shall be indicated on a label by omitting the word "unspecified" or omitting the word "unspecified" and substituting the word "fruit", with the name of the kind of fruit that imports the characteristics flavor to that alcoholic fruit beverage.

Indication of Alcoholic content: The alcohol content of a liquor product as indicated on a label, must, subject to the provisions of sub regulation, consist of a figure which represents the actual percentage of alcohol per volume of that liquor products, in conjunction with a percentage symbol and one or more of the expressions "alcohol" volume or an abbreviation thereof. A figure referred to in sub regulation, in the case of wine, not differ by more than 1.0 in numerical value from the actual alcohol content of the wine concerned; otherwise not differ by more than 0.5 in numerical value from the actual alcohol content of the liquor product concerned or not be higher or lower than the applicable maximum of minimum alcohol content specified in these regulations for the liquor products concerned.

Indication of country of origin: The country of origin of a liquor product as indicated on a label shall in the case of a liquor product produced and bottled in a particular country in the containers in which it is to be sold in the Republic, consist of the generally accepted name of that country, preceded by the expression "produced and bottled in".

In case of a liquor product produced in a particular country and bottled in another country, including the Republic, in the containers in which it is to be sold in the Republic, consists of the generally name of the country of production thereof, preceded by the expression "produced in" and followed "and bottled in" and the generally accepted name of the country in which it was bottled. In the case of a liquor product consisting of a mixture of liquor products produced in and imported into the Republic, and that has been bottled in the Republic, consists of the expression "produced in" followed by the generally accepted names of the countries in which the components of that mixture have been produced, separated by the word and indicated in descending order of

volume in the mixture, and followed by the expression "and bottled in the Republic of South Africa".

Indication of name and address or code number of responsible seller: The name and address of the responsible seller of a liquor product as indicated on a label shall, subject to the provisions of (if the responsible seller of liquor product is a judicial person the name of that judicial person as indicated on a label in terms of sub regulation (1) (a) shall, subject to the provisions of regulation 39(4) and (5) be the full name thereof as registered under the applicable law) except where the board or the administering officer (as the case may be), determines differently, be identical to that indicated on the licence or authority in terms whereof that responsible seller is authorized under the Liquor Act, 1989 (Act no. 27 of 1989) to sell liquor as defined in the said Act, or
be the name and full physical business address, as approved by the board or administering officer (as the case may be) of that responsible seller). A code number as indicated on a label shall be the code number registered or deemed to be registered in terms of regulation 40 in respect of the responsible seller concerned.

Prohibited practices and exemptions in connection with certain indications:

No person shall in connection with the sale of a liquor product other than wine use the words "sparkling" or a word or expression with the same meaning, unless the pressure in the container of such liquor is at least 75kpa; in connection with the sale of flavored grape liquor or grape liquor use a work, expression of reference that, either in general, or in a particular case, is used in connection with or to describe wine or spirits, in such a manner that it could create the impression that the product concerned is wine or a spirit; and of which the use in connection with the sale of wine is regulated by section 11(3) (a) or the Act; and in connection with the sale of wine other than noble late harvest wine, use the word "noble" or any deformation or translation thereof, in a manner that could create the impression that the wine concerned is noble late harvest wine. The provisions of section 11 (2) (a) and (d) of the Act shall not apply to the use of the word "wine" or of a class designation or a portion of a class designation other than the applicable class designation, in connection with a particular liquor product, provided that in those cases where the indication of a class designation is required in terms of regulation 33, such class designation is indicated separately and individually on the label of a container of such a liquor product; and that the word "wine" of such other class designation or portion thereof is used solely for the purpose of the further description of the liquor product concerned; and is not used in any manner that conveys or creates or is likely to convey or create a false or misleading impression with regard to the liquor product concerned.

Exemption from prohibition: Subject to the provisions of subsection (2) and (3), the provisions of Section 11 (3) (a) (v) of the Act, shall not be construed as restricting the use of the word "vineyard" in connection with the sale of wine which forms part of a trade mark as defined in section 2 (1) of the Trade Mark Act, 1963 (Act N.62 of 1963), which is used in connection with the sale of a liquor product; the name of a company as defined in section 1 of the Companies Act, 1973 (Act No. 61 of 1973); the name of a co-operative society as defined in section 1 of the Wine

and Spirit Control Act, 1970 (Act No. 47 of 1970); or the name of a corporation as defined in section 1 of the Close Corporation Act, 1984 (Act No. 69 of 1984) that was registered or established and used on 1 July 1990.

Registration of code numbers: An application for the registering of a code number shall be made on a form obtainable from the Department of Agriculture, Health and Plant Protection, to be completed by the responsible seller concerned or a person duly authorized to apply on his behalf, which will be accompanied by a certified copy of the licence in terms whereof that responsible seller is authorized under the liquor Act, 1989 (Act No. 27 of 1989) to sell liquor as defined in the said Act.

The administering officer may register a code number in respect of the responsible seller of a liquor product with a view to the use thereof as contemplated in regulations 33 (1) (d). An application for the registration of a code number shall be made on a form obtainable from the administering officer for this purpose. Such form shall be completed by the responsible seller concerned or a person duly authorized to apply on his behalf, be accompanied by a certified copy of the licence or authority referred to in regulation 38 (1) (a), in respect of the responsible seller concerned; and the fee specified and be lodged with the administering officer. Subject to the provisions, a number allocated in terms of Section 23 of the Wine, other Fermented Beverages and Spirits Act, 1957 (Act No. 25 of 1957), shall be deemed to be a code number registered in terms of this regulation. The validity of a code number, shall expire on a date 90 days after the commencement of this regulation unless the responsible seller concerned has on or before such date of expiry lodged an application for the continuation of the validity thereof in the manner set out. Each responsible seller in respect of whom a code number is registered or deemed to be registered in terms of this regulation, shall annually on or before 31 October pay to the administering officer the fee required in respect of the maintenance of that registration. Such payment shall be accompanied by a written notice in which the name and address of the responsible seller concerned and the code number registered or deemed to be registered in respect of him are indicated. The registration of a code number shall lapse if the fee payable in terms of sub regulation has not been paid as required in that sub regulation; or the licence or authority in terms whereof the responsible seller concerned is authorized under the Liquor Act, 1989 (Act No. 27 of 1989), to sell liquor as defined in the said Act, has lapsed or had been withdrawn. A code number the registration of which has lapsed as contemplated shall not within 10 years after the date of lapsing thereof be registered in respect of another responsible seller unless the administering officer is satisfied that such responsible seller is the successor in title of the responsible seller in respect of whom that code number was previously registered. The administering officer shall keep a register of code numbers in a form determined by him, in respect of each registered code number enter the name and address of the responsible seller concerned in such register; and from time to time by notice in the Gazette publish a list of the particulars entered in such register, and of deletions from and additions to such register. Contact: Division of Plant Production, Health & Quality. Tel: 27-21-8091681 or 809-1602; Fax: 27-21-887-6392 or 887-6396.

